

# Portugal

## An overview of the economy and of the business environment



This month, Portugal has celebrated an important national holiday, the Restoration of Independence. This holiday is always celebrated on December 1st and marks the reinstatement of sovereignty after the period of Spanish rule between 1580 and 1640.



Portugal was once the world's wealthiest country during the peak of its colonial empire but became one of Western Europe's poorest by the 19th and 20th centuries due to a lack of investment in domestic industry. After the 1970s revolution, Portugal shifted its economy from its African colonies to focus on Europe, joining the European Economic Community (now the EU) in 1986. This led to steady economic growth, driven by services, with manufacturing playing a significant role and agriculture contributing less than 3% of output.

EU membership brought substantial development through structural funds and investment, improving living standards and reducing unemployment. However, the 2009 eurozone debt crisis severely impacted Portugal, and later also the covid impact was particularly strong. However, Portugal's economy grew by 4.9% in 2021, recovering slightly more than half of the level lost in 2020. After a robust 6.7% GDP growth in 2022, Portugal's economy grew by 2.3% in 2023. The key drivers of this growth are the tourism and real estate sectors. This economic growth slowed in early 2024 due to weak global demand and reduced business confidence, therefore this year it is forecast to slow to 1.8% but rise to 2.4% in 2025 and 2.1% in 2026. Actually, the Portuguese economy is expected to grow by about 2% annually on average until 2028. This improvement will largely be driven by increased public investment through the Recovery and Resilience Plan (RRP). Policies boosting household disposable income are also expected to support stronger private consumption in 2025.



# Portugal

## An overview of the economy and of the business environment



Agriculture in Portugal faces challenges like low investment, limited mechanization, and a fragmented land-tenure system, leading to crop and livestock productivity below the EU average. Key crops include cereals (wheat, barley, corn, and rice), potatoes, grapes, olives, and tomatoes. Since 1999, genetically modified corn has been cultivated.



Portugal is a top exporter of tomato paste and wines, including the renowned Port, muscatel, and Madeira varieties. Viticulture is significant, with nearly 50 wine regions on the mainland and notable production on Madeira. Newer crops like sunflowers and large quantities of fruits (oranges and apples) are also grown. Agricultural exports partially offset the cost of importing wheat and meat, with nearly one-third of Portugal's land used for farming.

Portugal's agriculture is marked by small, fragmented farms in the north and historically large estates (latifúndios) in the south. In the north, farms are too small and scattered for efficient farming or crop rotation. Before 1975, southern estates were owned by absentee landlords who avoided investing in productivity. After the 1974 revolution, agrarian reforms targeted 3.2 million acres of large holdings, aiming to dismantle the latifúndio system, redistribute uncultivated land, and boost irrigation, crop variety, and livestock production. Much of this land was turned into collective and cooperative farms. However, the rushed changes caused political tension and reduced agricultural output in the Alentejo region.

Post-1976, land redistribution was reversed to promote private ownership, modernization, and higher productivity, supported by subsidies—though not all farmers utilized them. The Alqueva Dam, operational since 2002, has been a major irrigation source for southern Portugal, despite criticism over environmental damage, including the loss of rock art, rare species, and millions of trees.

Portugal's key livestock includes sheep, pigs, and cattle, with beef, dairy, and wool production varying in importance by region.

# Portugal

## An overview of the economy and of the business environment



Forestry is significant, with about 40% of the country covered in woods, mostly privately owned—the highest proportion in Europe. Mountainous areas are well-suited for forestry, and reforestation has been a focus since the late 19th century to address poor crop yields and erosion. The pulp and paper industry is an important contributor to the economy. Portugal is a top cork producer and exporter, while eucalyptus plantations cover about one-seventh of forested land, with pine also being a key resource.



Portugal's long coastline and rich fishing waters have supported a diverse fishing industry, with key catches including sardines, mackerel, hake, tuna, scabbard fish, and cod. These fish are important for food supplies and exports. However, the industry faced a severe decline in the 1980s due to international competition and outdated boats. EU funding for new vessels, renovation programs, agreements, and seaport training schools helped revive the sector in the 1990s. Major fishing hubs include the ports of Leixões, Peniche, Setúbal, Portimão, and Olhão.



Despite this revival, Portugal's fishing industry is smaller than those of other coastal European nations like Norway and Denmark and cannot meet domestic demand. About 25% of the fish consumed in Portugal is imported, mainly stockfish from Iceland, dried cod from Norway, and sardines from Russia. Aquaculture is also growing, with oysters, sea bream, sea bass, and trout farmed in tidal estuaries.

Portugal mines tungsten, tin, chromium, and other alloy metals, with most tungsten exported. Marble and other ornamental rocks are major exports, and coal from Moncorvo supports national steel production. The Neves Corvo mine is a significant source of copper, with large exports of copper concentrates since 1989.

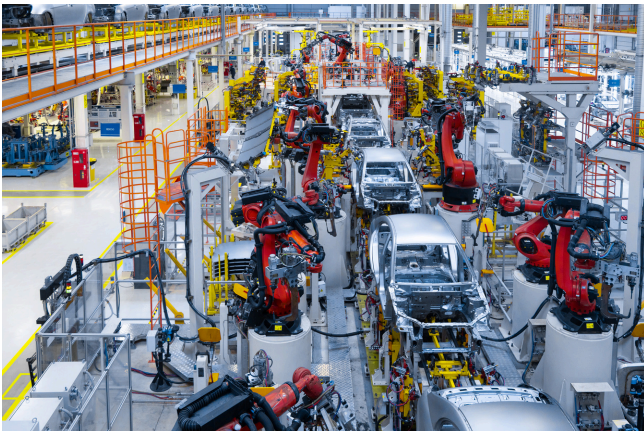
# Portugal

## An overview of the economy and of the business environment



The country imports about 80% of its energy, heavily relying on petroleum, petroleum products, and coal, which generates about 25% of electricity. In the 21st century, Portugal has expanded alternative energy use. A large wind farm, the biggest in Europe at its opening, was built in 2008 in northern Portugal. Additionally, one of the world's largest solar farms is located near Moura in the southeast, and the country has explored wave power technology.

Portugal's manufacturing industry is concentrated mainly in Lisbon, Setúbal, Porto, Braga, and Aveiro.



Lisbon and Setúbal are central to Portugal's industrial landscape, with a strong emphasis on several key sectors. These include oil refining, chemical production, cement manufacturing, automobile assembly, electronics, and the production of wood pulp and cork. The food and beverage processing industries also have a significant presence here, making these cities vital to the nation's economy.

In Porto, the focus shifts to industries such as textiles, footwear, and furniture. The city is also renowned for its wine production, which is integral to Portugal's global reputation for fine wines, as well as processed foods that are exported worldwide



Aveiro stands out for its specialization in wood pulp and wood products, a sector that contributes significantly to Portugal's export economy. In Braga, industries like clothing manufacturing, cutlery production, and electronics thrive, supporting both local and international markets.

Sines is strategically important for fuel and energy production, housing key facilities that drive Portugal's energy sector. Meanwhile, Coimbra and Leiria are known for their production of plastic molds and machine tools, vital components in various manufacturing processes.

Each of these cities contributes uniquely to Portugal's diverse industrial base, supporting a range of sectors that play an essential role in the country's economic development.

# Portugal

## An overview of the economy and of the business environment



Portugal's banking and insurance sectors were nationalized in the mid-1970s but liberalized and privatized starting in the 1980s. By the early 21st century, financial markets had modernized, and most banks and insurance companies were privatized, except for Caixa Geral de Depósitos, the largest bank. New banks, brokerage houses, and financial instruments emerged, while the banking sector consolidated significantly, leaving a few major groups dominating the market. Leading commercial banks expanded into investment services, and Spanish banks also became prominent in Portugal.

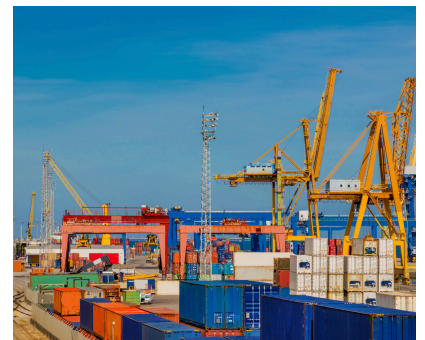


The service sector is crucial to Portugal's economy, making up more than 60% of total output. Tourism has become a major industry, attracting millions of visitors each year. Popular tourist destinations include Lisbon, the Algarve, and the Douro Valley, with most visitors coming from France, Germany, Spain, and the United Kingdom.

Portugal has invested significantly in its ports to enhance cargo handling, container capacity, and other services. Major ports include Lisbon, Leixões (serving Porto), Setúbal, and Sines, and the northern Douro River is now navigable. River transport includes both commercial barges and pleasure cruisers.

Advancements in technology and telecommunications have transformed Portugal's finance and business sectors. The mobile phone market is highly competitive, and the telecommunications sector has undergone liberalization and privatization. Internet usage grew rapidly in the late 1990s and early 2000s, although computer usage remained lower than in most other EU countries.

The leading countries from which Portugal imports goods are Spain, Germany, France, the Netherlands, China, Italy, Brazil, Belgium, and the USA. The top imported commodities include vehicles, along with mineral fuels, oils, distillation products, electrical and electronic equipment, machinery, nuclear reactors and boilers, plastics, pharmaceutical products, iron and steel, organic chemicals, optical and medical apparatus, and fish, crustaceans, mollusks, and aquatic invertebrates.



# Portugal

## An overview of the economy and of the business environment



Portugal's top export countries in 2023 are Spain, followed by France and Germany. The United States is also a significant export destination, along with the United Kingdom. Other notable export markets include Italy, the Netherlands, Belgium, Angola, and Poland.

Portugal's top exported goods include vehicles (other than railway and tramway), electrical and electronic equipment, machinery, nuclear reactors, and boilers. Other significant exports are mineral fuels, oils, and distillation products, plastics, pharmaceutical products, articles made of iron or steel, and furniture, lighting, signs, and prefabricated buildings. The country also exports apparel (knit or crocheted), paper and paperboard products, optical, photo, technical, and medical apparatus, as well as footwear, gaiters, and similar items.

In today's rapidly changing economic environment, it's essential to rely on local experts for reliable and profitable business insights. At SkyMinder, we collaborate with the top local provider of business information on Portuguese companies. With the expertise and extensive knowledge of our local partners, SkyMinder delivers the most comprehensive and up-to-date reports on any company registered in Portugal.



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- Credit rating and suggested credit limit
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- Number of employees
- Activity details: sector and industry of the company, branches, import export situation,
- Banks

# Portugal

## An overview of the economy and of the business environment



In addition to the Full Report including all complete details on Portuguese companies, it is possible to keep them monitored thanks to the Full Monitoring service: every time a change affects a company, a detailed notification is generated, with all the specifics about the type of variation and the area interested. In addition, a new overview of the company, including changes, will be available on the platform.



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- Company registries and LEI documents.

Sources: <https://economy-finance.ec.europa.eu/>; <https://www.cfp.pt/>; <https://www.britannica.com/>